



WRITTEN TESTIMONY OF DIRECT ENERGY SERVICES, LLC
BEFORE THE
CONNECTICUT GENERAL ASSEMBLY'S
ENERGY AND TECHNOLOGY COMMITTEE

PUBLIC HEARING – March 19, 2013

Senate Bill No. 1138–An Act Concerning Connecticut’s Clean Energy Goals

Direct Energy Services, LLC (“Direct Energy”) ¹ is one of the largest energy and energy-related services companies in North America. We operate in 46 states plus the District of Columbia and ten (10) Canadian provinces. We have more than 6 million customer relationships and serve more residential customers than any other competitive supplier in North America.

On behalf of Direct Energy, I hereby submit these comments pertaining to **Senate Bill No. 1138 –An Act Concerning Connecticut’s Clean Energy Goals**. In the competitive electricity market, retail suppliers account for a variety of factors when developing their pricing for residential and commercial end-use customers, including assumptions for energy, capacity and various ancillary costs, risk premiums associated with projected volumes of electricity to be delivered, general overhead expenses, and related compliance obligations such as Renewable Energy Portfolio Standard (“RPS”) costs. Most notably, when RPS compliance obligations change due to statutorily imposed requirements, it can materially impact existing customer energy supply contracts that were priced based on the prior RPS obligation, especially for those large commercial and industrial customers who have opted for multi-year contractual agreements.

¹ Direct Energy is a subsidiary of Centrica plc, a Fortune Global 500 company, based in the United Kingdom. Centrica was formed by the de-merger of British Gas. It has more than 30 million customer relationships and employs approximately 34,000 workers worldwide. The company enjoys an “A-” credit rating from Standard & Poor’s and has demonstrated robust cash flow and a strong financial position.

While the electric distribution companies can obtain full rate recovery of these new and incremental costs, competitive retail electricity suppliers must either absorb these costs or pass the costs along to the customer in a manner consistent with the terms and conditions of their retail sales agreement. Oftentimes, these impacted retail supply contracts are directly applicable to municipal and state governmental entities as well as institutional and commercial accounts like hospitals and colleges who have little or no budgetary flexibility and/or the supplemental financial resources to address the unanticipated and incremental costs. Moreover, these customers have generally opted to select fixed priced, multi-year contracts to achieve a level of budgetary certainty and stability. Subjecting these customers and retail electricity suppliers to such unexpected and retroactive RPS changes can have significant and deleterious financial and market related implications.

Therefore, Direct Energy urges the Committee to adopt amended language whereby new RPS compliance obligations potentially arising from SB No. 1138, should it be enacted into law, shall not be applicable to any contract for service of a retail electricity supplier that was executed or extended before the effective date of such amendment (a “pre-existing contract”). Any such pre-existing contract shall, until the expiration of the term of such contract, continue to be subject to the minimum percentage of kilowatt-hour sales that was in effect at the time such contract was executed or extended.

Direct Energy’s believes the proposed amended language supports good public policy that will protect and mitigate against any adverse financial harm to customers while continuing to bolster a competitive retail electricity market in the state of Connecticut. Thank you for your consideration.

Respectfully submitted,

Marc A. Hanks

Marc A. Hanks

Senior Manager, Government & Regulatory Affairs
Direct Energy Services, LLC

